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SUBJECT: TURKEY-U.S. ENERGY DIALOGUE POTENTIAL NEXT STEP

REF: ANKARA 886

1. SUMMARY: Turkey Energy Deputy Under Secretary Selahattin Cimen looks to DOE for an invitation and potential dates to send a Turkish team of officials and experts to the U.S. He said Turkey was interested in joining the Hydrogen partnership (IPHE). End Summary.

Proposal to Send a Turkish Team to the U.S.

2. In a February 23 meeting with Energy Officer, Energy Deputy Under Secretary Selahattin Cimen expressed interest in organizing a team of 5-6 Turkish officials and experts to travel to the U.S. He said that with the new Secretary of Energy in place he was eager to move forward with the idea, hoping to receive an official invitation and proposal of dates from DOE. Cimen envisioned himself leading the team, consisting of experts and high level officials, with the aim of exchanging knowledge and experience. The team would also be empowered to reach concrete agreements with American counterparts. He said he had spoken with a number of potential participants:

- Director General of the Electric Power Resources Survey and Development Administration (EIEI) - (for energy efficiency issues).
- Director of the new Boron Research Institute (Note: Turkey holds 64 % of the world's reserves of boron, which has applications in energy storage and fuel batteries and potential applications in the hydrogen economy. End note.)
- Expert from Turkey Science and Research Center (TUBITAK).
- a few other experts, including potentially one mining expert.

Interested in Hydrogen Partnership

3. Cimen said that Turkey was interested in pursuing membership in the International Partnership for the Hydrogen Economy (IPHE). He was interested in more information on joining and membership process, road map, and expectations.

Progress on Liberalization in Spite of Delays

4. Cimen outlined what he described as Turkey's steady progress on energy sector liberalization. While noting some inevitable delays, he underlined the importance of concrete steps taken and the private sector's continuing interest. For example, he expected that electricity distribution privatization tenders would be delayed by a few months to June or July to give the GOT time to finalize decisions and underlying legislation on privatization methodology. He said the World Bank had offered a useful compromise between pure asset sale (supported by the Energy Ministry) and modified Transfer of Operating Rights (supported by the Privatization Authority), taking into account potential investor views. Cimen said that privatization of electricity generation capacity would follow a parallel process to provide for new investment needed to bring on new capacity in 2009-2010. Cimen emphasized that the GOT would take into account both new private investment needs while working with existing investors benefiting from government guaranteed returns (see Reftel for update of BOT issue). He also noted that the Energy regulatory body (EMRA) was spearheading privatization of natural gas distribution. Cimen stated that the tender for transfer of BOTAS gas import contracts had been delayed, but there was significant interest.

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